

Brief Summary of RRG Update Conference Call Held on August 3, 2004

This summary is intended to briefly describe the updates given to the Grid West Regional Representatives Group (RRG) on the August 3, 2004 conference call. It is not intended to be a verbatim transcript of anyone's remarks, and it is not intended to suggest that any particular representative or entity on the RRG call agreed with or endorsed the remarks described in this summary.

August 3, 2004 Update Conference Call

- A two-hour conference call was held on Tuesday, August 3, 2004, to update the RRG on some of the work activities underway during the summer. Update topics:
 - BPA Process;
 - Transmission Services Liaison Group Activities, including discussion of work by The Structure Group on "RTO Cost Drivers and Considerations;"
 - Bylaws Work Group Activities;
 - Risk Reward Group Activities;
 - Consolidated Control Area Efforts;
 - Market Monitoring Recommendation and Near-Term Work Plan.
- About 45 people participated on the update conference call.

BPA Process

- Allen Burns described two activities underway:
 - 1) On July 14 BPA announced by letter from Allen Burns its open comment period on the proposed Grid West Developmental and Operational Bylaws. Review materials are on BPA's website. Comments are due by September 3. If requested BPA is meeting with entities to talk about the proposed bylaws until the end of the comment period.
 - 2) A review of the proposed bylaws by the National Academy of Public Administration (NAPA) is underway. NAPA is interviewing a number of people in the region. A draft report is expected by September 3. BPA will review the findings during September 4-22, and expects to report to the RRG by September 23 "where they're at" on the proposed bylaws.

Activities of the Transmission Services Liaison Group

- The Transmission Services Liaison Group (TSLG) is working with The Structure Group on market design, taking a broad approach to Modules 2-4 before layering down to more detail. The first TSLG meeting with The Structure Group was July 15. Two-day meetings are planned about every other week.
- The Structure Group prepared a presentation for the TSLG on "RTO Cost Drivers and Considerations," which was posted for this RRG conference call.
- Steve Walton reviewed the presentation with RRG, highlighting the key points on slide 14 –thoughts to keep in context when evaluating potential Grid West costs –

and, slide 15 – key considerations worth noting to minimize start-up, re-design, and O&M costs of Grid West.

- Steve mentioned that the Risk Reward Study Group asked some clarifying questions about the presentation, and answers were prepared.
- Steve also noted that the TSLG does not intend to do much more on costs until more design work is accomplished. Module 5 will include more details on the costs of implementation.

Activities of the Bylaws Work Group

- Steve Larson reported that the Bylaws Work Group is focusing its work in two areas.
 - 1) The Bylaws Work Group is working to further define the five “special issues” in the Operational Bylaws in order to minimize ambiguity around when a “special issues” vote may occur. The group has focused most of its effort on a) authorization to exercise backstop measures for commercial congestion, b) departure from the Company Rate approach, and c) authorization to move to a financial rights system. The group is working on proposals to present to the RRG in September.
 - 2) A small group of attorneys is contacting other RTOs to obtain information about RTO experience. The group has talked to MISO, and plans to contact PJM, RTO-NE, and SWPP. They agreed that a report about what they learn from the discussions would be helpful, and will update the RRG on the next conference call on August 31.

Activities of the Risk Reward Study Group (RnR)

- Carol Opatrny reported that the Risk Reward Study Group held its fourth meeting on July 23. The notes of the meetings are posted on the Grid West website.
- The main focuses of the RnR are:
 - 1) Evaluate Costs and Cost Drivers – this effort is being coordinated with the TSLG and with data compiled by the PPC;
 - 2) Continue Review of the TCA Study and Other Studies – task is to review the benefit cost study done by Tabors Caramanis and other studies to determine if there is any usable information for the Grid West effort;
 - 3) Quantify the Problems and Opportunities – survey is being developed based on RRG-identified problems and opportunities; transmission providers and users are being asked for input on the survey; then survey interviews will be held; compilation of information is expected to be an iterative process.
- Bob Kahn mentioned that Snohomish PUD has contracted with Henwood to do a modeling study. The RnR Group has asked Snohomish and Henwood to present the modeling approach RnR.

Voluntary Consolidated Control Area Activities

- Allen Burns reported that PacifiCorp, Idaho Power Company, and BPA are meeting and evaluating the benefits of consolidating control areas.
- It was suggested that this effort should be coordinated with the efforts of the RnR Group and integrated with work of The Structure Group, too.

SSG-WI Market Monitoring Work Group (MMWG) Recommendation and Near-Term Work Plan

- Kristi Wallis reported that the MMWG presented its recommendation to the SSG-WI Steering Group (SG) on July 9. The recommendation and materials are posted on the SSG-WI website with materials for the July 9 meeting.
- The recommendation is for a west-wide market monitor focused on western markets and seams. Participation in market monitoring would be voluntary, and is designed to be attractive to both FERC-jurisdictional and non-jurisdictional entities. The entity would monitor and report but does not have enforcement authority. It will have access to data and interaction with regulators.
- Based on guidance from the SG, the MMWG is moving ahead with sequencing activities in a near-term work plan:
 - 1) Education – expand participation; hold informational workshops;
 - 2) Document Preparation – further specify governance, transmission provider cooperation agreements, tariff and market monitoring plan;
 - 3) Additional Funding – pursue grant opportunities to supplement SSG-WI's funding of MMWG efforts.
- Initial focus will be on four educational workshops and preparing workshop materials.
- The first Market Monitoring workshop is planned for September 8, 2004 near the San Francisco airport. The workshop will include a briefing on the recommendation, solicit input, and test interest in the proposal.
- Lou Ann Westerfield stressed that many parties feel this proposal is gaining real substance and support its implementation, so it is important that people understand the recommendations and make their views known. She encouraged everyone to attend a workshop.

RRG Update Conference Call on August 31, 2004

- Another RRG conference call will be held on Tuesday, August 31, 2004, from 10:00 a.m. to 12:00 noon PDT to further update the RRG on on-going activities.